

**STAFFORD COUNTY SCHOOL BOARD**  
**Agenda Consideration**

**TOPIC:** 2004-05 School Efficiency  
Review

**ITEM NO.** 10H

**PREPARED BY:**  Jean S. Murray,  
Superintendent

**MEETING:** August 24, 2004

**ACTION DATE:** August 24, 2004

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**ACTION REQUESTED BY THE SUPERINTENDENT:** Receive additional information on the upcoming Stafford County Public Schools participation in the Governor-sponsored School Efficiency Review.

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**KEY POINTS:**

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- \* During Ms. Healy's presentation of the FY2005 budget to the Board of Supervisors, she included that Stafford County Public Schools would participate in an external efficiency review.
- \* On June 14, 2004, Dr. Murray wrote Dr. Whelan, Virginia Secretary of Education, requesting participation in the 2004-05 School Efficiency Review.
- \* On July 22, Dr. Murray was notified of Stafford County Public School's selection in the 2004-05 process (letter attached).
- \* In preparation for the mid-September start date, attached are the executive summaries from two of the first three efficiency reviews completed last year - New Kent County School Division and Roanoke County Public School Division.

**SCHOOL BOARD GOAL: Eight:** Provide School Board leadership in advocating for adequate funding and support of Stafford County Public Schools

**FUNDING SOURCE:** NA

**AUTHORIZATION REFERENCE:** Commonwealth of Virginia Office of the Governor

# COMMONWEALTH of VIRGINIA

## Office of the Governor

Belle S. Wheelan, Ph.D.  
Secretary of Education

July 22, 2004

Dr. Jean S. Murray, Superintendent  
Stafford County Public Schools  
31 Stafford Avenue  
Stafford, Virginia 22554

Dear Dr. Murray:

Thank you for your commitment to participate in the 2004-2005 School Efficiency Reviews. As you know, the General Assembly appropriated funds to this office to continue the school efficiency review pilots in cooperation with the Department of Planning and Budget.

The purpose of the efficiency reviews is to identify savings that can be gained through best practices in organization, service delivery, human resources, facilities, finance, transportation and technology management thereby allowing divisions to capture potential administrative savings and redirect them back to the classroom. To date, three Virginia school divisions have participated in this pilot program, identifying potential savings options at no cost to the school system.

The funding authorized by the General Assembly for this endeavor will be sufficient to fund efficiency reviews for a number of divisions during the 2004 - 2005 school year. While the reviews will be conducted in accordance with protocols developed by the Department of Planning and Budget based on experience during the first three pilots and overseen by staff involved in the original pilots, there will be greater reliance on outside consultants for staffing assistance. In initiating an RFP to obtain such assistance, your school division will be described in generic terms as a division for which we hope to conduct a review. It is expected that the first three reviews will begin by mid-September and be completed by December. The second group of reviews will commence after the first of January 2005. Due to variation in size and scope of the participants, we are unable to guarantee at this time a specific time frame of

Dr. Jean S. Murray  
July 22, 2004  
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review for any school division, or if all interested divisions will be reviewed this fiscal year.

The School Efficiency Review program is intended to provide school divisions with an outside, consultative resource to examine business operations and explore alternatives that may yield savings for the school division. We welcome your participation and firm commitment to this project. Should you have any additional questions or concerns, please do not hesitate to contact me or Noreen Crowley, Assistant Secretary of Education in this office. She can be reached at 804-786-1151 ext 3405.

Sincerely,

A handwritten signature in cursive script that reads "Belle S. Wheelan".

Belle S. Wheelan, Ph.D.  
Secretary of Education

CC: The Honorable John Bennett  
Secretary of Finance



# Executive Summary

## Overview

In September 2003, Governor Mark Warner announced his intent to establish a pilot program to measure school efficiencies in three school divisions as part of his larger *Education for a Lifetime* initiative. The efficiency reviews consist of two components: 1) deploying auditors and management specialists to conduct intensive reviews of individual school systems, helping them realize greater efficiencies and identifying good practices that can be shared with other school divisions; and 2) conducting a statewide performance review to give parents, policymakers, and all taxpayers a clear picture of how their schools are performing. This report reflects efforts of the first component. Virginia spends over \$9 billion in state, federal and local money for K-12 education; approximately \$1,300 for every man, woman, and child in the Commonwealth. For this reason, Governor Warner wants to assist local school divisions in finding savings in non-instructional areas that can be redirected to classroom instruction.

The individual school system reviews are modeled after successful programs in Texas and Arizona. Since its inception in 1991, the Texas program has conducted nearly 100 audits of public school districts and recommended net savings totaling \$750 million dollars. The goal of the reviews is to identify administrative savings that can be gained through best practices in organization, service delivery, human resources, facilities, finance, transportation, technology management, and other non-instructional expenditures thereby allowing divisions to put administrative savings back into the classroom.

New Kent County School Division (NKCS D) is one of three school divisions announced as part of the pilot program.<sup>1</sup> The Governor charged the Best Management Practices Division of the Virginia Department of Planning and Budget to identify ways NKCS D has already adopted best practices in several categories or functions in the hopes other school divisions could successfully replicate these practices. The Governor also directed the Best Management Practices Team (study team) to determine ways NKCS D could realize greater savings and efficiencies in non-instructional areas so as to redirect those savings to classroom activities. The study team, consisting of five analysts with extensive audit, management, and organizational expertise is being assisted by former Chesterfield County Public School Division Superintendent Thomas Fulghum for this pilot project. This report identifies NKCS D's exemplary operating practices and suggests concrete ways to improve division management and operations to increase efficiencies in non-instructional areas. If fully implemented, the recommendations contained herein

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<sup>1</sup> The others are Roanoke County and Richmond City School Divisions. These studies are underway and pending, respectively.

could result in net savings of more than \$238,800 annually, or 5 percent of its 2003-04 nonpersonal services budget of \$4.86 million.

Virginia's local school divisions are independent entities, far removed and insulated from the orders and directives of the Executive Branch, however benevolent or progressive their intent may be. Section 5 of the *Virginia Code* acknowledges this independence in its case notes by stating, "The power to operate, maintain and supervise public schools in Virginia is, and has always been, within the exclusive jurisdiction of the local school boards and not within the jurisdiction of the State Board of Education." It is within this framework that the pilot program is structured, relying on the completely voluntary participation and compliance of the school divisions.

### **New Kent County School Division**

New Kent County is located between Richmond and Hampton Roads. Interstate 64 is the major east-west corridor that traverses the entire length of the county. The 2000 U.S. Census data reports that New Kent County has a population of 13,462 and enrolls 2,511 students in its four schools. The student population is growing around 2.5 percent annually as the county's location makes it an attractive site to live for commuters who work in the Richmond and Tidewater areas. The school population is about 80 percent white, 15 percent black with the remaining five percent distributed among several race/ethnic categories. The County is 472 square miles and has a population density of 30.6 people per square mile. The County's 2001 average per capita salary is \$28,310.

NKCSD employs 350 FTE staff including 209 full-time instructional staff (i.e., teachers, aides, librarians, counselors, etc.) operates and maintains four schools, and operates at least 48 buses daily on a 2003-04 budget of \$18,813,725. In 2002, the average NKCS D teacher salary was \$35,188.

### **Comparison Data**

Comparing data between school divisions is not an exact science. Though school divisions report massive amounts of data to the Virginia Department of Education (DOE) on standard reports ostensibly using standard definitions, direct comparisons can be at times a risky supposition. Most reports are self-reported by the school division, thus the data is only as accurate as the interpretations of the staff reporting the data. That being said, the study team is confident that the cluster comparisons used for this report are valid and serve as an excellent medium to provide parents, school division officials, and policy makers the best environment for division comparisons.

In order to ensure only similar school divisions are compared to each other, DOE contracted with Virginia Commonwealth University (VCU) to develop peer clusters. The peer clusters were developed using statistical analyses of four primary criteria for all



school divisions in the state. The criteria used were population density, average daily student membership, percentage of students eligible for free lunches, and the composite index. With additional statistical filters applied, the end-result was the creation of seven school division clusters. For this report, NKCS D is compared to 30 other peer school divisions.

NKCS D spends \$204.25 per pupil in administration costs ranking it 11<sup>th</sup> among its peers. While NKCS D ranks 17<sup>th</sup> in the total percentage of the budget spent on pupil instruction (64.2 percent), it ranks last in total dollars spent per pupil for instruction (\$4,521.60).

NKCS D ranks third highest in the percentage of the budget it spends on transportation (8.0 percent), while its \$564.70 per pupil transportation costs rank it 20<sup>th</sup> among its peers. It should be noted that the higher per pupil transportation costs may be the result of policy decisions and not necessarily higher operating costs. NKCS D adheres to a policy whereby no student's transport time is greater than 60 minutes each way.

### **Best Practices**

Though NKCS D ranks 22<sup>nd</sup> *lowest* in total per pupil spending and 34<sup>th</sup> *lowest* in total budget in Virginia, NKCS D proved on many levels that its staff are very creative, resourceful, and efficient in providing services for its customers. For instance, it has long been a canon of best practices to encourage employee cross-training across an organization. In several areas, transportation and human resources most notably, NKCS D has adopted the concept and makes use of it nearly every day. The transportation director and everyone who reports to him is a trained school bus driver and are frequently pressed into service when the need arises. The current administrator for instruction also serves as the Division's gifted students program director. In addition, from 1992 to 2003, she also assumed the duties as the Division's human resources director. She still maintains some of her human resources duties even though a new human resources director was hired in July 2003.

Cross training by necessity would cause larger school division's knees to buckle. With larger budgets it is an administrative truism that hiring additional staff is preferred to having fewer staff assuming more diverse duties. That said, the study team believes NKCS D must be commended for accepting with grace the resources they are given and adopting a "can do" approach instead of developing cynical and skeptical attitudes that often cause bureaucracies to tire and falter. It is arguable that perhaps NKCS D could do an even better job in realizing greater savings if the staff had the time from their multi-tasked day to explore the options available. Thus, for this report the study team serves as the Division's agent in exploring options that may yield savings for the NKCS D administration.

The study team reviewed many practices across several functions during the study period including the funding for health insurance premiums, purchasing practices (including text books, buses, fuel, and food products), transportation, teacher recruitment and retention, facility energy efficiency, and payroll functions.

For some practices, NKCSO was found to be maximizing its savings within current operations. For example, when the study team and officials from the Virginia Department of General Services estimated possible savings for bulk food purchases, it became clear that NKCSO was already purchasing some food products at a lower cost than what they could command through purchases with the Virginia Distribution Center. For instance, NKCSO already purchases cans of peaches, beans, mayonnaise, and tomatoes at a lower cost through a contract with the US Department of Agriculture. There are concerns, however, that the quality from the food purchased through USDA contracts may be less appetizing.

Regarding employee health insurance, NKCSO and its employees may be paying too much. Local Choice is a program offered through the Virginia Department of Human Resource Management in which the state administers an optional health insurance program for local government employees. In this instance, NKCSO employees have access to the same provider network and provider discounts offered through the state employee health insurance plan. Currently, 28 school divisions take advantage of Local Choice. Of these, 15 divisions combine their plans with their county government health insurance plan. The remaining 13 divisions maintain their own plans. The school divisions who maintain their own plans have employee levels ranging between several hundred to about two thousand. The average premium cost for family coverage is \$969 per month; \$102 per month lower than NKCSO's current costs. Although it is difficult to compare health insurance plans with the variations among them, it is conservatively estimated that NKCSO could save \$115,083 annually if it were to choose the Local Choice option.

The chart on the following page illustrates areas of the greatest potential savings. Each item listed is explored in depth in the body of this report.



<b>Recommendation</b>	<b>Potential Savings</b>	<b>Frequency</b>	<b>Notes:</b>
Local Choice health insurance	\$115,000	Annual	
Energy efficient building	\$73,500	Annual	
Outsource payroll function	\$42,000	Annual	
Assess county a fee for vehicles serviced by transportation mechanics	\$5,200	Annual	Based on a \$10/hr reimbursement rate for average of two hours of labor for one vehicle/day
Manufacturer trade-in of retired buses	\$1,600	Annual	Bus trade-ins could yield at least \$1,000/ bus. This is \$400 more per bus than what the division receives through bus auctions.
Purchase copier paper from state contract	\$1,500	Annual	
Purchase other items through state contract	Varies	Annual	
Consider lease-purchasing of buses	Unknown	Annual	Estimates vary depending on bus type, options, and quantity ordered.
Consortium bus purchasing	Varies	Annual	Savings depends on the number of divisions participating and number of buses purchased
<b>Total Savings</b>	<b>\$238,800</b>		

## Combining Forces

Several recommendations contained herein can only work if NKCS D combines its efforts with other school divisions in central Virginia. Combining efforts to leverage better pricing for goods and services (bus, fuel, and textbook purchases, to name a few) have been pursued before with some varying degrees of success. The previous efforts usually fell by the wayside after a year or two. There are two reasons for the spotty track record on combining efforts to leverage better prices through bulk purchasing: independent divisions with varying operating practices and no central entity with the command and authority to compel local divisions to combine purchasing efforts to maximize savings. If



policy and law makers embraced the notion and benefits of school divisions combining their purchasing efforts, NKCS D would be advantageously perched since three of the ten largest school divisions are minutes away. Joining their forces with some of the larger school divisions in the Commonwealth to purchase goods and services would go a long way in creating savings that could then be redirected to the classroom to the benefit of everyone. These savings have not been quantified or assumed in this report.

# Executive Summary

## Overview

In September 2003, Governor Mark Warner announced his intent to establish a pilot program to measure school efficiencies in three school divisions as part of his larger *Education for a Lifetime* initiative. The efficiency reviews consist of two components: 1) deploying auditors and management specialists to conduct intensive reviews of individual school systems, helping them realize greater efficiencies and identifying good practices that can be shared with other school divisions; and 2) conducting a statewide performance review to give parents, policymakers, and all taxpayers a clear picture of how their schools are performing. This report reflects efforts of the first component. Virginia spends over \$9 billion in state, federal and local money for K-12 education, approximately \$1,300 for every man, woman, and child in the Commonwealth. For this reason, Governor Warner wants to assist local school divisions in finding savings in non-instructional areas that can be redirected to classroom instruction.

The individual school system reviews are modeled after successful programs in Texas and Arizona. Since its inception in 1991, the Texas program has conducted nearly 100 audits of public school districts and recommended net savings totaling \$750 million. The goal of the reviews is to identify administrative savings that can be gained through best practices in organization, service delivery, human resources, facilities, finance, transportation, technology management, and other non-instructional expenditures thereby allowing divisions to put administrative savings back into the classroom.

Roanoke County Public School Division (RCPSD) is one of three school divisions announced as part of the pilot program.<sup>1</sup> The Governor charged the Best Management Practices Division of the Virginia Department of Planning and Budget to identify ways RCPSD has already adopted best practices in several categories or functions in the hopes other school divisions could successfully replicate these practices. The Governor also directed the Best Management Practices Team (study team) to determine ways RCPSD could realize greater savings and efficiencies in non-instructional areas so as to redirect those savings to classroom activities. The study team, consisting of five analysts with extensive audit, management, and organizational expertise is being assisted by former Chesterfield County Public School Division Superintendent Thomas Fulghum for this pilot project. This report identifies RCPSD's exemplary operating practices and suggests concrete ways to improve division management and operations to increase efficiencies in non-instructional areas. If fully implemented, the recommendations contained herein could result in net savings of more than \$294,816 annually, or 1.3 percent of the 2003-04

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<sup>1</sup> The others are New Kent County and Richmond City School Divisions. The New Kent County Public Schools study is complete; the Richmond City Public Schools study is underway.



non-personal services budget of \$22.4 million. To put the amount in perspective, the potential savings is equivalent to the starting salaries of nine new teachers (without benefits).

Virginia's local school divisions are independent entities, far removed and insulated from the orders and directives of the Executive Branch. Section 5 of the *Code of Virginia* acknowledges this independence in its case notes by stating, "The power to operate, maintain and supervise public schools in Virginia is, and has always been, within the exclusive jurisdiction of the local school boards and not within the jurisdiction of the State Board of Education." It is within this framework that the pilot program is structured, relying on the completely voluntary participation and compliance of the school divisions.

### **Roanoke County Public School Division**

Roanoke County is located in western Virginia, nestled in the foothills of the Blue Ridge Mountains. Interstate 81 is the major north-south corridor that traverses the entire length of the county. According to the 2000 U.S. Census data, 85,778 people live in Roanoke County. The public school system operates 30 schools and, in 2002-2003, educated 14,119 students. The student population grew three percent since 1995 as the county's location and economy make it an attractive site to live, work, and learn. The student body is over 91 percent white, 4.8 percent black with the remaining four percent distributed among several race/ethnic categories. The County is 250 square miles and has a population density of 343 people per square mile. The County's 2001 average per capita salary is \$33,208.

RCPSD employs 2,165 FTEs including 1,133 full-time instructional staff (i.e., teachers, aides, librarians, counselors, etc.) operates and maintains 30 schools, and operates at least 153 school buses daily on a 2003-04 budget of \$123,230,344. In 2002, the average RCPSD teacher salary was \$43,253.

### **Comparison Data**

Comparing data between school divisions is not an exact science. Though school divisions report massive amounts of data to the Virginia Department of Education (DOE) on standard reports ostensibly using standard definitions, direct comparisons can be at times a risky supposition. Most data is self-reported by the school division, thus the data is only as accurate as the interpretations of the staff reporting the data. That being said, the study team is confident that the cluster comparisons used for this report are valid and serve as an excellent medium to provide parents, school division officials, and policy makers the best environment for division comparisons.

In order to ensure that only similar school divisions are compared to each other, DOE contracted with Virginia Commonwealth University (VCU) to develop peer clusters. The peer clusters were developed using statistical analyses of four primary criteria for all school divisions in the state. The criteria used were population density, average daily student membership, percentage of students eligible for free lunches, and the composite index. With additional statistical filters applied, the end-result was the creation of seven school division clusters. For this report, RCPSD is compared to eleven peer school divisions.

RCPSD ranks seventh highest in the total percentage of the budget spent on pupil instruction (53.2 percent), and sixth highest in total dollars spent per pupil for instruction (\$5,535.82).

RCPSD ranks third lowest in the percentage of the budget it spends on transportation (3.4 percent), while its \$350.67 per pupil transportation costs rank it sixth lowest among its peers. RCPSD outranks its peers in both state and federal revenues per pupil (ranking 1<sup>st</sup> and 2<sup>nd</sup>, respectively) yet ranks a rather modest sixth highest in total expenditures per pupil. It is ranked sixth highest in local revenues per pupil.

### Best Practices

Educating the 17<sup>th</sup> largest student body in the state is not an easy task; however, it is evident by almost every measure that RCPSD has never wavered from its core mission and is steadfastly devoted to an overriding, uncomplicated, and successful philosophy: educate the students well.

By all accounts, RCPSD takes its charge very seriously and does a laudable job in continually refining an award winning educational system, successfully educating and nurturing its students, recruiting, training, and retaining some of the best teachers and administrators in the Commonwealth, and co-opting the community to its commitment to excellence. Sowing the seeds of excellence has certainly yielded an abundance of fruit. For example, RCPSD students taking the SAT in 2001 topped both their state and national peers in both verbal and mathematics scores.

Table A: 2001 Average SAT Scores		
	Verbal	Mathematics
<b>Roanoke County Average</b>	<b>522</b>	<b>523</b>
State Average	510	501
National Average	506	514
Source: <i>Fast Facts</i> , RCPSD website		

Moreover, as Table B reveals, RCPSD ranks very high in the percentage of students graduating and continuing their post secondary education.



**Table B: 2001-02 Percentage of Graduates of Ninth Grade Membership  
Four Years Earlier and Percentage of Graduates Seeking Post-  
Secondary Education**

<b>Division</b>	<b>Percent of Graduates</b>	<b>Percent of Graduates Continuing Education</b>	<b>Total Points*</b>
<b>Roanoke</b>	<b>87.2</b>	<b>85.6</b>	<b>172.8</b>
Hanover	80.3	88.7	169.0
York	81.7	86.2	167.9
Fauquier	87.6	77.7	165.3
Frederick	80.4	84.4	164.8
Warren	77.6	87.1	164.7
Albemarle	77.8	84.1	161.9
<b>State Avg</b>	<b>77.0</b>	<b>81.7</b>	<b>158.7</b>
Montgomery	71.5	82.0	153.5
Rockingham	80.5	69.4	149.9
Augusta	79.1	67.1	146.2
Bedford**	78.3	67.7	146.0
Harrisonburg City	85.6	49.4	135.0

Source: 2001-02 *Annual School Report*, Table 5  
 \* Sum of second and third columns  
 \*\* Includes data for both Bedford County and Bedford City

The Division's schools are all fully accredited. However, excellence is not restricted to the classroom. The budget development, approval, and implementation process of the school division demonstrates an efficient and effective model that other school divisions in the Commonwealth may consider adopting. Sharing the school division financial information with Roanoke County establishes and enhances relationships that promote mutual understanding that can be instrumental in meeting the goals of both the school division and the County. Roanoke County also conducts a mentoring program for teachers that is a model for other school divisions. This mentoring program has helped to keep staff turnover to a very low rate.

The Roanoke County School Division is one of a limited number of school divisions that produces an individual Comprehensive Financial Annual Report (CAFR) separate from the CAFR prepared by the local governmental unit. The Roanoke County School Division's CAFR has been awarded Certificates of Achievement for Excellence in Financial Reporting both from the Government Finance Officers Association and the Association of School Business Officials. The Roanoke County School Division works closely with the Finance Department of Roanoke County for accounting and financial transactions including payroll and accounts payables. Additionally, the school division complies with the County regulations and procedures for purchases.

The Division has also successfully decentralized some of its purchasing practices. Each school principal and each division department head has the authority to purchase and make payment for certain goods and services. These leaders are given the authority to buy what they think they need to do their jobs and then held accountable for the results without unneeded process delays and bureaucracy. This is a best practice that should be used by other school divisions.

The Study Team has identified up to \$294,816 in potential savings for the school system. The table below illustrates the potential savings identified by the Study Team.

Recommendation	Potential Savings	Frequency	Note
Eliminate overtime by hiring additional maintenance staff	\$9,595	Annual	RCPSD spent \$66,791 on overtime in 2002-03. By hiring an additional carpenter, this overtime could be reduced.
Use software to potentially eliminate bus routes	\$70,800	Annual	The amount per route eliminated is \$23,613.
Change investment rules for Activity Funds	\$5,085	Annual	The Division had over \$500,000 in non-interest bearing checking accounts at the end of FY03.
Purchase janitorial supplies from Virginia Distribution Center. (VDC)	\$13,902	Annual	
Purchase other items from state contract	\$784	Annual	Savings are from one item – pencil sharpeners.
Purchase buses through a consortium	Varies	Annual	Savings are estimated to be \$1,500 to \$2,000 per bus.
Eliminate textbooks by the continued development of online class content	Varies	Annual	As more online content is developed the Division should be able to purchase fewer textbooks for high school students.
Enter into a performance contract to replace older lighting in schools and save on energy costs	\$194,650	Annual	These savings would have to be used to pay off the performance contract costs before the Division receives the savings directly.
<b>Total Savings</b>	<b>\$294,816</b>		



## **Combining Forces**

Several recommendations contained herein can only work if RCPD combines its efforts with other school divisions. Combining efforts to leverage better pricing for goods and services (bus, fuel, and textbook purchases, to name a few) have been pursued before with some varying degrees of success. The previous efforts usually fell by the wayside after a year or two. There are two reasons for the spotty track record on combining efforts to leverage better prices through bulk purchasing: independent divisions with varying operating practices and no central entity with the command and authority to compel local divisions to combine purchasing efforts to maximize savings. If policy and lawmakers embraced the notion and benefits of school divisions combining their purchasing efforts, RCPD could possibly realize savings never before envisioned. Joining forces with some of the larger school divisions in the Commonwealth to purchase goods and services would go a long way in creating savings that could then be redirected to the classroom to the benefit of everyone. These savings have not been quantified or assumed in this report.